

630.71
Or3p1
no.60
c.6

DOCUMENT
COLLECTION
OREGON
COLLECTION

OREGON STATE LIBRARY
Documents Section

DEC 3 1964

Planning for Retirement

~~DISCARD~~
~~DISCARD~~

A Pacific Northwest
Cooperative Extension Publication

PNW Bulletin 60

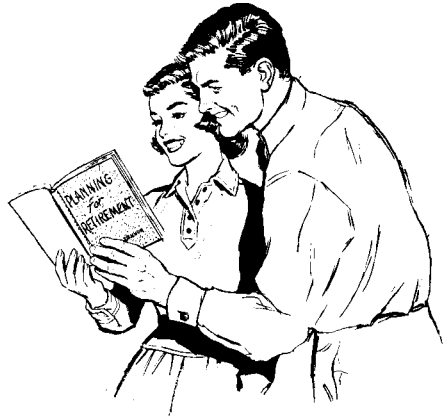
August 1964

Contents

	<i>Page</i>
The Meaning of Retirement to the Individual	3
Expectations for the Later Years	5
Assessing Your Own Financial Picture	6
Making Your Own Financial Plan	7
Living Arrangements for Retirement Years	9
Retirement for Women	11

This bulletin was prepared by ALBERTA B. JOHNSTON, Extension home management specialist in family finance, and ROBERTA C. FRASIER, Extension family life specialist, Oregon State University, in consultation with Extension specialists at the University of Idaho and Washington State University. Published cooperatively by the Extension services of the Pacific Northwest states.

Planning for Retirement



Prior to the 1930's, little thought was given to planning for retirement. Today, retirement planning is built into employment through social security and retirement plans so that even the young employee becomes aware of retirement and begins making financial contributions as soon as he starts his working career. However, it is not until the middle years of life that retirement planning as such occupies the

interest of most single persons or couples.

Retirement planning involves: (1) developing an understanding of the meaning of retirement to the individual, (2) learning what can be expected in the later years of life, (3) realistically assessing the financial picture and making sound plans for adequate income, and (4) considering various living arrangements.

The Meaning of Retirement to the Individual

No one can anticipate what retirement will mean until he has experienced it. However, understanding some of the meanings retirement has had for others will be helpful in anticipating what one's own feelings may be when retirement comes.

Uncertainty

With retirement the familiar way of life is changed. As has happened many times before in life, just when the individual feels secure and comfortable

in one role, he has to learn a new role. Many people feel anxiety in facing this change. They do not remember that they have been retiring throughout their lives. They tend to overlook the fact that they have developed some skills for facing retirement long before they reach the retirement years. An individual retires from the pre-school years when he enters school. A man retires from bachelorhood when he marries. Each person has been practicing retirement throughout life.

Growth and development force change and adaptation as the individual moves ahead from one stage of life to another. With retirement from the work world, the familiar or known way of life is changed again. Retirement means uncertainty and the renewed seeking of a self-identity and security. It means uncertainty until the individual again finds directions for himself in his changed circumstances.

Finding new means of gaining satisfaction and accomplishment

During the productive years, *work* provides a way of gaining feelings of satisfaction and accomplishment. During retirement some means to provide these feelings must be found. Dr. Sol Ginsburg has said, "Living entirely for one's self (entirely by the pleasure principle) is not enough; one must live for others and in the actual world (by the reality principle) as well. If you build a house, till a field, teach the young, your work is reality oriented and extends beyond mere pleasure and, hence, sustains life. To have work to do is to be needed and to be needed is essential for life."

Before retirement, work provides this feeling of being needed and of being a worthwhile person. *Work also provides self-identity; an answer to that important question, "Who am I?" or "Who is he?"* People are identified in terms of occupation. He is "Mr. Jones, the farmer;" "Mr. Smith, the banker;" "Mrs. Wells, her husband has the service station;" "Mrs. Toms, the mother of Bill." After retirement a person becomes categorized in that all inclusive group "the retired." He may feel that he is a "nobody."

Work brings satisfaction and a sense of "goodness" to the individual. The American culture puts stress on hard

work; to live a life of leisure has been looked upon as sinful. It is difficult for people who have valued work highly to change their attitudes at a specified age and find meaning in a life devoted to activities which have formerly been considered wrong.

The basic core of planning for retirement is to find the kind of "work" which can be substituted in retirement to provide the satisfactions in life each person needs. "Work" may involve a new part-time or full-time job. It may involve a creative, absorbing, meaningful activity which is engaged in because of interest rather than as a way to fill time or to make money.

Service through volunteer leadership and community participation can give personal satisfaction as well as provide a worthwhile service to others. The pursuit of knowledge for its own sake can provide meaning for the individual and a sense of "significant being."

Finding new ways to satisfy the basic need of belonging

The give and take association during working hours plays an important part in a person's feeling of belonging or being a part of life. The work group provides meaningful friendships. Leisure time friends often come from this group. Some substitute needs to be found in the retirement years.

Retirement means finding a new pattern for life

Work and working hours provide a certain amount of structure and reality to life which bring security and a comfortable feeling to the individual. Being able to do "just what I want when I want" is a wonderful dream. In reality, it puts tremendous decision-making burdens on the individual.

Expectations for the Later Years

Before an individual can plan for retirement, he needs to take a realistic look at what life may be like for him during this period of his life span. Normally the individual goes through about four phases or stages during the retirement years. These phases can be considered in terms of activity level, which can be plotted on a scale range from active to inactive. Each person enters retirement at a different point on this activity scale. The scale ranges from active, moderately active, less active, to inactive. The length of time spent in each phase varies from individual to individual.

Life expectancy

Although life expectancy charts show an average life expectancy of 67 for men and 74 for women, these figures are based on life expectancy at birth and are misleading in planning for retirement. Since the early years of life are the most hazardous ones, a person who lives beyond the critical years has some bonus years coming. If a man lives to age 65, he has, on an average, 12 years of his life to plan for. A woman who lives to age 65 has a 16-year life expectancy. Of course, no one person is an average. Averages are helpful only in that they give some basis for planning. Some families seem to have better records for longevity than others.

Realistic planning for retirement will need to take into account a life expectancy based on present age as the starting point. The following life expectancy chart illustrates how the bonus years accumulate.

Health expectancy

An image has developed of the older person as lonely, infirm, and bedrid-

LIFE EXPECTANCY IN YEARS

Present age	Male	Female
45	27	32
55	19	24
65	12	16
75	8	9
80	7	11
90	3	8
99	$\frac{1}{2}$	$\frac{1}{2}$

den. Significant research studies on large cross sections of the population point out that this is not a realistic picture of the typical older person. These studies indicate that most older persons have someone who cares for them. Even though children may not contribute financial support, a feeling of closeness to relatives and friends is the typical pattern.

These studies also indicate that only about 1% of persons past 65 are bedridden. At least two-thirds of the persons in one study had not spent any time in bed due to illness the previous year. Half of the persons over 65 rated their health as good, one-fifth rated their health as poor, and the rest rated their health as fair. Although most persons in the retirement years experience some chronic disease, few report major limitation of activity. Many persons fear they will be afflicted with paralysis, but the percentage of persons so affected is very small. Only 2 percent of persons 65 to 74 have paralysis of any kind and 4 percent of those 75 and over.

Although it is true that a large number of older people are in nursing homes or institutions and have no relatives or responsible person to look after them, this picture is typical of only a small percentage of those over 65.

Some elderly persons become men-

tally ill or senile, but the proportion is small. Recent research studies indicate that persons over 65 can recover from mental illness with proper treatment and in about the same proportion as those younger than 65. Clarity of mind is aided by the use of mental facilities in learning new things and in maintaining social relationships. If there is vital life in the present, there is less need to live in the past.

Ability to learn

Research evidence indicates that the ability to learn continues throughout life. Learning patterns may change and differ from the learning patterns of childhood. The speed of learning may be less, but the capacity to learn new things and to relearn old things is still great and vital. Nearly a million adults age 65 and over are enrolled in formal education programs in the United States. Many more are engaged in informal education.

Financial expectation

The economic situation of the older people in the United States has improved significantly in the last two decades, primarily because of the expansion of retirement programs, both private and public. But adequate income for the aged is still a problem in our generally affluent society. Many must live out their lives with limited financial resources. The median money income for married couples over 65 years of age in the United States in 1960 was \$2,600. For unmarried persons, men have a median income of \$1,160 and women \$670.

Living costs of retired couples, according to a study by the Bureau of Labor Statistics in 20 cities for which cost-of-living data were collected, showed that retired couples need between \$2,700 and \$3,500 to meet all their living expenses. This would assure them a modest yet adequate standard of living.

Assessing Your Own Financial Picture

Families are primarily concerned with the financial aspects of retirement during that period in the family life cycle when their children are reared and launched out into the world as independent individuals. This stage, often referred to as the *financial recovery stage*, is characterized by:

- Peak income for the family (highest income for husband often supplemented by the wife's employment).
- Concern with paying off debts accumulated during the rearing of the children.
- Saving for retirement.

A fresh look at the family financial picture

Families need to look at all of the kinds of financial resources that are available to them and to consider the changes that they can expect in their spending patterns for family living after retirement.

In the United States, financial security for retirement is a combination of voluntary individual savings and investments and job-related retirement programs and tax-supported benefits (for most families this means Social Security). The amounts of income from retirement programs and Social Security are predetermined by the programs.

The use of voluntary savings can be adjusted by families to meet their own individual needs: for monthly income, for special plans, or to meet emergencies that may arise.

Spending patterns change after retirement. In general, less money is needed for business related expenses,

clothing, and furnishings for the home. A mortgage-free home reduces housing costs, but somewhat less than generally believed. More money is needed for medical care and for help in the home. Expenses for recreation and travel may increase too if travel is a part of the retirement plans.

Making Your Own Financial Plan

Families find that their retirement income is made up of many bits and pieces. No matter what the source of the income, there are basically three questions you need to answer in developing your own financial plan for retirement.

- What are your financial resources?
- What will each of these provide in cash? In monthly income?
- How do you plan to use these resources after you retire?

As you make your plan and analyze your own situation, you will find that there are choices you will have to make in the way you use your resources. For example, you may want to consider:

- The transfer of the United States Savings "E" bonds you own to

"H" bonds. "H" bonds pay interest semi-annually and this can be used to supplement your monthly income, while keeping your investment intact.

- The cash values of life insurance policies may be used to reduce further premiums or to provide income after retirement.

Financial advisers you may want to consult as you are arranging your finances for retirement may include: your life insurance agent or underwriter; the local social security officer; your banker, lawyer, and stock broker. Each of these people may help you in finding out about alternatives that are available to you and in making decisions about the use of your financial resources.

OUR FINANCIAL RESOURCES			OUR PLAN FOR USING THEM			
Financial resources	Upon retirement will produce:		Living expenses	Save for emergencies	Save for protection of surviving spouse	Travel or other plans
	In cash	In monthly income or				
Social security						
Company pensions						
Life insurance						
Annuities						
Bank accounts— checking, savings						
U. S. bonds						
Stocks, bonds, mutual funds						
Real estate						
Business ownership						
Part-time employment						
Other resources						
Totals						

Living Arrangements for Retirement Years

Planning living arrangements for retirement involves a look at some of our traditional attitudes about housing, as well as a look at some of the new types of housing that are being developed to meet the needs of people who are retiring earlier and living longer.

Long-time occupancy of a home is a value held by many Americans as a symbol of dependability, respectability, and stability. In the past, and even today, the goal of many young couples is to have a home in which they can live for the rest of their lives. A look at the housing needs of families during their family life cycle will indicate that more realistic planning may involve several changes during the lifetime of the family. The home that is ideal for a family with teenagers, may not be suitable for a couple who are retired.

Housing for retirement may involve two or three changes to meet the specific needs of the family during their retirement years. Changes in physical health, in size of family, and community activities may mean changes in living arrangements. Since each person and each couple is unique, no one plan can serve all families.

Many of the housing opportunities that are available now are untried and involve new concepts. Adequate research is not available to evaluate satisfactions and dissatisfactions with the various kinds, but understanding of the kinds of housing and thoughtful evaluation of advantages and disadvantages of each kind are essential to wise planning.

Categories of housing available include the following:

Mixed-age housing

This term indicates single-family or multi-unit housing in areas which have no restrictions as far as age of residents are concerned. Persons within the area may be of a similar age, but this would be due to chance rather than design. Homes may be owned or rented.

Age-segregated housing

This term refers to housing where certain age restrictions are set. Some forms of age-segregated housing:

- *Retirement communities* are basically housing developments with "Country Club" privileges. First sale is limited to certain age groups.
- *Retirement homes* are characterized by an initial payment or "founder's fee" plus monthly payments. Others may require a monthly rental only. Right to occupancy is under stated conditions, without the right to sell or rent. Retirement homes may include congregated eating, maid service, recreational facilities, and nursing care.
- *Retirement apartments* provide for more independent living and individual kitchens. There is usually a restaurant in the building. A founder's fee is required plus monthly payments. Ownership reverts to the corporation on death of the tenant.

Age-segregated housing includes cooperative apartments, residential hotels, mobile home communities, rest homes, fraternal homes, and nursing homes, if there are age restrictions for admit-

tance. Some involve founder's fees, others are on a monthly basis.

Housing with relatives

This includes those situations where an older person lives in the home of a relative, or a relative lives in the home of the older person.

Guidelines for decisions on housing

Until more adequate measurements are available for determining satisfaction with the various kinds of housing, these general guidelines may prove helpful:

- Older people should seriously consider a change in housing arrangements as they approach the retirement years. The change will be easier if a person plans for and anticipates it, or makes the change before retirement.

- Before any change is made, the individual or couple should consider carefully the kind of person or couple they are—the kinds of things, people, and activities they most enjoy.

- Individuals should remember that they “live with themselves” wherever they go. If they have been able to adjust and adapt to changes through the preceding years, they will carry this ability to “adapt” throughout life. A serious look at the past will help in planning for the future.

- Housing should be selected to meet the special needs of the family in terms of size, convenience, location, and financial limitations.

- Persons contemplating a major change in location or kind of housing should make the change on a trial basis if at all possible.

- If a radical change in housing or way of life is planned, wait until you have experienced retirement for some time. (It may be different than you

think.) Try not to make several major adjustments at the same time.

- Housing needs should be planned with a “multi-phased” retirement in mind. (Plans for the time when both spouses are active, a period for lessened activity, and plans for the surviving spouse.)

Answer these questions as you are planning your living arrangement for retirement:

- What kind of a person are you? What are your interests? Your physical limitations? Your community activities? What kinds of people do you enjoy?

- Do you own your home? Will it fit or can it be adapted to fit your needs at retirement?

- If you are considering moving to a new state or community, do you adapt easily to change?

- What kinds of living arrangements are available to you within the limits of your financial resources?

- If you are considering living with relatives, what could you contribute to the family situation?

- What kinds of changes can you anticipate in living arrangements if there is a change in your health, or if one spouse dies?

Retirement homes

Retirement homes are new within the experience of most persons. If you are considering living in one of these homes, the following questions are suggested as guides to gaining adequate information:

1. What is the initial cost or founder's fee? Can your estate recover a part of the founder's fee? When? How? What is your financial responsibility to the corporation?

2. Is there a trial residence period with refund available if the arrangement is unsatisfactory?

3. What are the monthly costs? What protection do you have from rising costs?

4. What services are available? Maid? Food? Laundry? Nursing? Doctor? Medicine and drugs? Which services are included in the monthly cost and which will be added charges?

5. What refunds are available on food costs if you are gone for a period of time?

6. What recreational facilities are available? Will you use them? Is there a cost involved for their use?

7. If the home provides "lifetime care," what does this mean? What ar-

rangements are made for long, serious illness? Who is financially responsible for the cost? Is there group insurance for residents? How are costs paid?

8. How far will you be located from church and from shopping and business centers? Is there adequate public transportation? Is the retirement home near facilities for other age groups?

9. What kind of people does this home attract? (Income level, occupational level, and so forth.)


Since each retirement home has unique features of operation, comparison of advantages and disadvantages of the various homes is important before making a decision. Before making a final decision, it is wise to consult your legal adviser.

Retirement for Women

The unmarried employed woman faces many of the same feelings about retirement as does the man. Retirement may be more complex for the married woman than for the single woman or man. The typical wife has retired from two of her major jobs, childbearing and child rearing before her husband reaches retirement age. Increasing percentages of women are adjusting to this retirement by taking a full or part-time job or by engaging in community activities. Women who have outside employment face retirement from work as does the man. Many who are active in community affairs find a gradual decline in leadership role is necessary as energy wanes.

The husband's retirement creates a new retirement for the married woman and means adjusting to a new way of life. After years of more or less freedom, the wife is faced with having a man around the house all day. For some couples these years mean shared companionship and an opportunity to gain greater understanding and appreciation for one another. Others may have difficulty in adjusting to the husband being around the house.

More women than men have to adjust to life alone after the death of the surviving spouse. Over half of the women at age 60 are widowed with the proportion increasing through the years.



Cooperative Extension work in Agriculture and Home Economics, F. E. Price, director, Oregon State University and the United States Department of Agriculture cooperating. Printed and distributed in furtherance of the Acts of May 8 and June 30, 1914. 5M864

Published and distributed in furtherance of the Acts of May 8 and June 30, 1914, by the Washington State University Extension Service, C. A. Svinth, Director, and the U. S. Department of Agriculture cooperating. 5M864

Published and distributed in furtherance of the Acts of May 8 and June 30, 1914, by the University of Idaho Extension Service, J. E. Kraus, Director, and the U. S. Department of Agriculture cooperating. 2M864